Corp report

SUPERPACK CORPORATION LIMITED 1971 ANNUAL REPORT

SUPERPACK CORPORATION LIMITED

Officers

Irving Gould, *Chairman of the Board*
Vincent P. Paul, *President*
Guido Brina, *Vice-President*
Herman C. Vinnet, *Vice-President of Finance and Secretary*
Gerald Papernick, *Treasurer and Assistant Secretary*

Directors

Guido Brina, *Monmouth Beach, New Jersey*
Irving Gould, *Nassau, Bahamas*
Herbert W. Marache, Jr., *New Canaan, Connecticut*
Vincent P. Paul, *Toronto, Ontario*
David M. Perlmutter, *Toronto, Ontario*

Registrar and Transfer Agent

Guaranty Trust Company of Canada

Auditors

Perlmutter, Orenstein, Giddens,
Newman & Co.

General Counsel

Manning, Bruce, MacDonald & MacIntosh

Head Office

254 Bartley Drive
Toronto 375, Ontario

Branch Offices

Montreal, *Canada*
Los Angeles, *California*
St. Louis, *Missouri*
Elizabeth, *New Jersey*
Jersey City, *New Jersey*
Nassau, *Bahamas*

ANNUAL REPORT 1971

Letter from the President

This is my first report to you as the new president of your Company. Since the last report issued in October, 1971, there have been numerous major changes affecting the Company, both with respect to its operations as well as management and the composition of the Board of Directors.

As had been reported to you previously, there have been continuing problems in two of the Company's subsidiaries, Scholarship Consultants of North America Ltd., ("SCONA") and the English subsidiary, Nortex of Canada Limited. As a result, the Board of Directors decided to dispose of both operations.

Accordingly, as set out in the notes to the financial statements, arrangements were completed with respect to SCONA to cancel the indebtedness of your Company to the original vendor groups and to cancel the 100,000 warrants issued to them. In addition, fifty percent of the proceeds realized on any future sale of the shares of SCONA will be remitted to the Company. Although this disposition resulted in a loss to the Company of $1,481,133, your Directors did not feel that there was any reasonable possibility of future earnings being realized from SCONA. Mr. L. Cahan and Mr. S. Heller resigned from the Board of Directors in connection with the disposition by the Company of its interest in SCONA.

Although the sale of Nortex of Canada Limited has not been completed, preliminary agreement has been reached which would result in the net realization of approximately $110,000 from the disposition of the shares of Nortex together with the fixed assets and balances due with respect to that company.

As a result of the strain on the Company's resources caused by the two unprofitable subsidiaries, it became evident to your Directors that it would not be in the Company's best interests to redeem the debentures which became due on March 31, 1972. Accordingly, at a meeting held March 13, 1972, the debentureholders approved a supplemental indenture, the details of which are set out in Note 7 to the financial statements. As a result, the immediate cash requirement of $1,368,434 was eliminated, giving the Company a greater degree of flexibility in reorganizing its present operations.

Your Directors also reached the decision to eliminate the intangible asset, goodwill, previously carried on the books of the Company as "Excess of Cost of Shares of Consolidated Subsidiaries Over Book Value of Net Tangible Assets", resulting in a write-off of $1,397,385 as part of the extraordinary charges on the statement of earnings.

As indicated in the financial statements, operations from all divisions other than SCONA and Nortex of Canada Limited improved during the 1971 fiscal year. Net earnings before losses from non-consolidated operations and extraordinary items increased by twenty-two percent to $234,703 (41¢ per share). The net losses from non-consolidated operations were $243,650 (42¢ per share) compared with profits from the operations in the previous year of $78,725 (14¢ per share). After deduction of these non-consolidated operations and the extraordinary items totalling $3,219,975 ($5.60 per share) resulting from the write-down of the investment in the two divisions discussed in the foregoing and the write-off of the goodwill in connection with the company's other operations, the net loss for the year was $3,228,922 ($5.61 per share).

With the disposition of the two unprofitable divisions, indications are that the remaining activities of the Company are improving on a steady basis. A statement of earnings for the first quarter ended February 29, 1972 is also enclosed which shows an increase in sales of eight percent to $2,371,638 and an increase in net earnings of the remaining operations by twenty-one percent to $55,435 (10¢ per share).

Your Directors also decided to take certain steps to expand the operations of the Company. In 1971, the Company's American subsidiary acquired, for a nominal consideration, a printing company. Spencer Graphic Service, Inc., in New Jersey. The manner in which the acquisition was carried out ensured that no liability could accrue to the Company. However, if the operations of the printing company became successful, the profits therefrom will accrue to the Company. This acquisition has proved to be profitable and in March, 1972, another printing operation in New Jersey was acquired to broaden the scope of the original printing company.

Two hundred thousand shares of Corporate Properties Limited, a publicly-traded real estate company, headquartered in Toronto and operating both in Canada and the United States were purchased. At this time, this purchase is being maintained as an investment by the Company and was financed through funds made available by two of your Directors. Your Directors believe that the potential growth in the real estate field warranted this investment and we feel further steps to expand the scope of your Company's activities in this area should be taken.

During 1971, a company controlled by a member of my family purchased the shares in the Company held by a company controlled by the members of the family of T. D. Richmond who had been president of the Company since its inception. Mr. Richmond felt he wanted to devote his attention to other business interests and as a result of this purchase, he resigned as a director and president of the Company. I know that the shareholders join the Board of Directors in expressing their gratitude to Mr. Richmond for the many years of leadership which he contributed to the Company. Upon Mr. Richmond's resignation, the Board of Directors elected me as a director and president of the Company.

As has been outlined in the foregoing, this has been a year of major restructuring and changes in your Company. We believe that these changes have resulted in a greatly strengthened, more diversified and potentially more profitable Company and look forward with confidence to the future.

For the Board of Directors
VINCENT P. PAUL, President
Toronto, Canada, April 18, 1972.

Vincent Paul

Financial Summary

Five Year Combined Financial Summary in Canadian Funds

Year Ended November 30	**1971**	*1970*	*1969*	*1968*	*1967*
Gross Operating Revenues	**$9,306,356**	$9,234,319	$9,768,573	$9,983,908	$9,733,282
Gross Earnings	**1,035,563**	978,887	1,342,962	1,427,600	1,120,022
Depreciation and Amortization	**344,418**	373,808	510,786	564,523	602,061
Interest	**206,581**	192,753	111,956	207,777	250,748
Income Taxes	**249,861**	224,261	367,941	336,969	29,348
Net Earnings from Consolidated Operations	**234,703**	188,065	352,279	318,331	237,865
Net Earnings (losses) from Non-Consolidated Operations	**(243,650)**	78,725	32,207	93,635	128,177
Net Earnings (loss) before Extraordinary Items	**(8,947)**	266,790	384,486	411,966	366,042
Extraordinary Items	**(3,219,975)**	(32,762)	68,538	200,203	—
Net Earnings (loss)	**(3,228,922)**	234,028	453,024	612,169	366,042
Earnings (loss) per share on:—					
Net Earnings from Consolidated Operations	**0.41**	0.33	0.64	0.63	0.48
Net Earnings (losses) from Non-Consolidated Operations	**(0.42)**	0.14	0.06	0.19	0.25
Net Earnings before Extraordinary Items	**(0.01)**	0.47	0.70	0.82	0.73
Extraordinary Items	**(5.60)**	(0.06)	0.12	0.40	—
Net Earnings	**(5.61)**	0.41	0.82	1.22	0.73
Funds provided by consolidated operations, per share	**1.00**	0.98	1.56	1.78	1.69
Average number of shares outstanding during year	**575,133**	574,722	550,625	502,025	501,005

In 1969, the Company retroactively changed its method of accounting for income taxes. This retroactive change is not reflected in the above financial summary for the 1967 year.

The above financial summary has been restated to give effect to the retroactive adjustments referred to in notes 1 and 5 to the financial statements for the year ended November 30, 1971.

Auditors' Report

TO THE SHAREHOLDERS,
SUPERPACK CORPORATION LIMITED.

Gentlemen:

We have examined the consolidated balance sheet of Superpack Corporation Limited and subsidiary companies as at November 30, 1971 and the related consolidated statements of earnings and retained earnings (deficit) and source and application of funds for the year then ended. Our examination of Superpack Corporation Limited included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

With respect to the financial statements of the subsidiary companies, we relied upon the reports of other independent auditors.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at November 30, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (as restated — see notes 1 and 5).

April 13, 1972
Toronto, Canada,

"PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO."
Chartered Acountants.

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)
FOR THE YEAR ENDED NOVEMBER 30, 1971 WITH 1970 COMPARISONS

EARNINGS	1971	1970
		Restated (notes 1 and 5)
GROSS OPERATING REVENUES	$9,306,356	$9,234,319
EARNINGS BEFORE PROVISION FOR THE UNDERNOTED ITEMS	$1,035,563	$ 978,887
Depreciation and amortization of fixed assets (note 5)	295,772	317,317
Amortization of intangible assets and deferred charges	48,646	56,491
Interest (including $190,286 on long-term debt; 1970 — $166,372)	206,581	192,753
Provision for income taxes — current	265,234	231,633
— deferred	(15,373)	(7,372)
NET EARNINGS FROM CONSOLIDATED OPERATIONS	$ 234,703	$ 188,065
NET EARNINGS (LOSSES) FROM NON-CONSOLIDATED OPERATIONS (note 1)	(243,650)	78,725
NET EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	($ 8,947)	$ 266,790
EXTRAORDINARY ITEMS (note 3)	(3,219,975)	(32,762)
NET EARNINGS (LOSS)	($3,228,922)	$ 234,028
EARNINGS (LOSS) PER SHARE ON:		
Net earnings from consolidated operations	$ 0.41	$ 0.33
Net earnings (losses) from non-consolidated operations	(0.42)	0.14
Net earnings (loss) before extraordinary items	($ 0.01)	$ 0.47
Extraordinary items	(5.60)	(0.06)
Net earnings (loss)	($ 5.61)	$ 0.41

RETAINED EARNINGS (DEFICIT)	1971	1970
		Restated (notes 1 and 5)
BALANCE at beginning of year — as previously reported	$2,023,941	$1,820,233
Less — Adjustment re prior years' depreciation (note 5)	240,755	271,075
BALANCE at beginning of year — as restated	$1,783,186	$1,549,158
Net earnings (loss) for the year	(3,228,922)	234,028
BALANCE at end of year	($1,445,736)	$1,783,186

The accompanying notes form an integral part of these consolidated financial statements.

Balance Sheet

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT NOVEMBER 30, 1971

WITH 1970 COMPARISONS

ASSETS	1971	1970
		Restated (notes 1 and 5)
CURRENT ASSETS		
Cash	**$ 93,801**	$ 43,296
Acounts receivable	**1,259,714**	1,299,493
Inventories — at the lower of cost or net realizable value	**1,295,926**	1,194,358
Prepaid expenses and sundry assets	**59,319**	64,646
	$2,708,760	$ 2,601,793
INVESTMENTS		
Investment in non-consolidated subsidiaries *(notes 1 and 2)*	**$ 140,500**	$ 4,513,568
Sundry — at cost	**22,395**	23,990
	$ 162,895	$ 4,537,558
FIXED ASSETS *(notes 4 and 5)*	**$1,100,167**	$ 1,272,352
OTHER ASSETS		
Excess of cost of shares of consolidated subsidiaries over book value of net tangible assets *(note 3)*	**$ —**	$ 1,287,977
Patent rights and licensing agreements (less amortization)	**582,285**	627,759
Costs of organization and issue of capital stock and debentures (less amortization)	**5,248**	16,946
	$ 587,533	$ 1,932,682
TOTAL ASSETS	**$4,559,355**	$10,344,385

Approved on behalf of the Board:

"V. P. PAUL" *Director*

"D. M. PERLMUTTER" *Director*

LIABILITIES

	1971	1970
		Restated (notes 1 and 5)
CURRENT LIABILITIES		
Bank indebtedness *(note 6)*	**$ 207,503**	$ 205,645
Accounts payable and accrued liabilities	**854,414**	793,736
Payroll deductions and sales taxes	**77,449**	70,468
Income taxes payable	**164,844**	115,344
Loans payable	**60,000**	15,105
Long-term debt due within one year *(note 7)*	**411,817**	549,816
	$1,776,027	$ 1,750,114
LONG-TERM DEBT *(note 7)*	**$1,822,698**	$ 4,344,646
DEFERRED INCOME TAXES	**$ 7,276**	$ 22,649
TOTAL LIABILITIES	**$3,606,001**	$ 6,117,409

SHAREHOLDERS' EQUITY

CAPITAL STOCK *(note 8)*	**$2,399,090**	$ 2,443,790
RETAINED EARNINGS (DEFICIT)	**(1,445,736)**	1,783,186
	$ 953,354	$ 4,226,976
	$4,559,355	$10,344,385

The accompanying notes form an integral part of these consolidated financial statements.

Funds

SUPERPACK CORPORATION LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 1971 WITH 1970 COMPARISONS

SOURCE OF FUNDS	1971	1970
		Restated (notes 1 and 5)
Operations		
Net earnings (loss)	**($3,228,922)**	$ 234,028
Add (Deduct) charges (credits) not affecting working capital:		
Depreciation and amortization	**352,943**	382,333
Reduction of carrying value of investment in non-consolidated subsidiaries	**1,800,202**	—
Write-off of excess of cost of shares of consolidated subsidiaries over book value of net tangible assets	**1,397,385**	—
(Earnings) losses from operations of non-consolidated subsidiaries adjusted for dividends received	**303,650**	(18,725)
Deferred income taxes	**(15,373)**	(7,372)
	$ 609,885	$ 590,264
Increase in long-term debt	**86,786**	1,359,809
Realization of sundry investments	**1,595**	1,692
Proceeds of share issue	**—**	130,185
	$ 698,266	$2,081,950

APPLICATION OF FUNDS	1971	1970
		Restated (notes 1 and 5)
Repayment of long-term debt	**$ 366,733**	$ 352,816
Purchase of fixed assets	**105,570**	500,466
Advances to non-consolidated subsidiaries	**110,783**	3,653
Capital stock acquired by a consolidated subsidiary	**44,700**	—
Acquisition of consolidated subsidiaries including net working capital deficiency at date of acquisition	**127,425**	—
Acquisition of non-consolidated subsidiary	**—**	1,513,358
	$ 755,211	$2,370,293
DECREASE IN WORKING CAPITAL (exclusive of long-term debt due within one year)	**$ 56,945**	$ 288,343

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOVEMBER 30, 1971

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries except for two previously consolidated subsidiaries, the accounting for which, in 1971, has been retroactively adjusted to an equity basis. The investment in these two subsidiaries as at November 30, 1971 has been written down to estimated realizable value (see note 2).

Currencies other than Canadian have been translated into Canadian dollars on the following bases:

Current assets and liabilities — at the rate of exchange on November 30;

Other assets and liabilities — at historical rates of exchange except for accumulated depreciation which is translated on the basis of equivalent Canadian dollar cost of the related fixed assets;

Income and expenses — at average rates of exchange except provisions for depreciation and amortization which are translated on the same basis as the related assets.

2. INVESTMENT IN NON-CONSOLIDATED SUBSIDIARIES

A. Scholarship Consultants of North America Ltd.

This subsidiary was acquired in 1970 for an aggregate purchase price of $3,950,000 of which $2,380,000 was owing at November 30, 1971 to two vendor groups to be paid over a period of years based on net earnings of the subsidiary. Since this subsidiary became unprofitable during the year, operations have been drastically curtailed. On December 13, 1971, agreement was reached with one vendor group to cancel its share ($1,190,000) of the outstanding indebtedness and to surrender its warrants to purchase 50,000 shares of the Company. On April 3, 1972, agreement was reached with the other vendor group to also cancel its share ($1,190,000) of the indebtedness and to surrender its warrants to purchase 50,000 shares of the Company in consideration of the Company assigning and transferring to the second vendor group all of the shares of the subsidiary and notes of the subsidiary to the Company in the principal amount of $71,000. The second vendor group also covenanted that upon the resale, at any time, of any or all of the shares of Scholarship Consultants of North America Ltd., it will remit to the Company 50% of all proceeds realized for any such resale.

The accompanying consolidated financial statements give effect, as at November 30, 1971, to these agreements by:

a) elimination of the outstanding indebtedness to the two vendor groups, and

b) reduction of the resulting carrying value of the investment in this subsidiary to an estimated minimum realizable value of $30,000, being the principal amount of a note receivable from the subsidiary. This reduction of $1,481,133 is included as an extraordinary item in the accompanying consolidated statement of earnings (see note 3).

B. Nortex of Canada Limited

The operations of this subsidiary, which has been owned since inception, have become unprofitable and a preliminary agreement has been reached to sell the shares of this subsidiary and certain vending units and equipment leased to it by a consolidated subsidiary of the Company.

The consolidated financial statements reflect a write-down, as at November 30, 1971, at the carrying value of the investment in this subsidiary (including the vending units and equipment leased and the patents licenced to it) to $110,500, being the sale price indicated in the preliminary agreement.

This reduction of $319,069 is also included as an extraordinary item in the accompanying consolidated statement of earnings (see note 3)

3. EXTRAORDINARY ITEMS

	1971	1970
—reduction of carrying value of investments in non-consolidated subsidiaries to estimated realizable value (see note 2)	$1,800,202	$ —
—write-off of excess of cost of shares of consolidated subsidiaries over book value of net tangible assets	1,397,385	—
—loss on revaluation of foreign currencies	22,388	32,762
	$3,219,975	$32,762

4. FIXED ASSETS

	Cost	Accumulated depreciation	Net
Land	$ 75,054	$ —	$ 75,054
Building	254,253	20,836	233,417
Vending units	1,231,167	1,102,078	129,089
Machinery, equipment, furniture and fixtures	1,743,786	1,210,199	533,587
Vehicles	61,184	32,740	28,444
Leasehold improvements	187,097	117,663	69,434
	$3,552,541	$2,483,516	$1,069,025
Unamortized cost of tools and dies			31,142
			$1,100,167

Depreciation and amortization of fixed assets is based on their estimated useful lives and is provided on the straight-line method except for vending units with a cost of $1,037,258 being depreciated on the sum of the years digit method (see note 5).

5. RETROACTIVE CHANGE IN DEPRECIATION METHOD FOR VENDING UNITS

Depreciation of certain vending units owned by the Company and consolidated subsidiaries (note 4), including those vending units leased to a non-consolidated subsidiary (note 2B) has been computed by the sum of the years digit method in 1971, whereas in all prior years, such depreciation was computed by the straight-line method. The new method of depreciation was adopted retroactively to more appropriately reflect the manner in which such vending units are utilized. The effect of this change was to decrease the net loss before extraordinary items and net loss in 1971 by approximately $51,500 (or $0.10 per share), and to increase net earnings before extraordinary items and net earnings in 1970 by approximately $30,000 (or $0.06 per share).

The balances of retained earnings as at the beginning of the 1970 and 1971 fiscal years have been adjusted to reflect the effect (net of deferred income taxes) of applying retroactively the new method of accounting for depreciation of vending units.

6. BANK INDEBTEDNESS

Bank indebtedness is secured by assignments of accounts receivable and inventories.

7. LONG-TERM DEBT

Long-term debt as at November 30, 1971 consists of the following:

9%, convertible debentures, secured by a floating charge on the assets of the Company and its subsidiaries, and maturing March 31, 1977 (see details below)	$1,368,434
Note payable (U.S. $720,000) secured by accounts receivable, inventories and certain equipment of a subsidiary at rates of interest adjusted to reflect variations in prime rate and payable in monthly principal instalments of $30,000, together with interest, until maturity, November 1973. In addition, the shares of the subsidiary have been pledged to the lender as collateral security.	745,992
6% mortgage payable (U.S. $21,074) secured by real estate of a subsidiary and maturing July 1973	21,701
10% bank loan (U.S. $22,927) secured by certain equipment of a subsidiary and maturing April 1973	23,274
capitalized equipment leases (U.S. $21,134), due in instalments to 1975	21,266
contract obligation (U.S. $53,470) to a former officer of a subsidiary, payable in instalments to 1975 secured by $17,800 of debentures and 5,600 shares of the parent company held by the subsidiary	53,848
	$2,234,515
Less — amounts due within one year	411,817
	$1,822,698

On March 13, 1972, a meeting of the debenture holders was held whereat the debenture holders passed an Extraordinary Resolution amending the principal indenture dated March 31, 1962. The resultant supplemental indenture provides, among other things, that:

1) the debentures shall mature on March 31, 1977 (previously March 31, 1972),
2) the debentures shall bear interest from March 31, 1972 at the rate of 9% per annum (previously 6%),
3) the debentures shall be redeemable under certain conditions from time to time at the principal amount together with a premium of 1% to March 31, 1973, diminishing to nil in 1977,
4) The Company covenants to pay to the Trustee amounts sufficient to retire out of sinking fund monies, aggregate principal amounts of the debentures as follows:
    - March 31, 1973 — $ 50,000
    - March 31, 1974 — 80,000
    - March 31, 1975 — 150,000
    - March 31, 1976 — 150,000
5) the debentures shall be convertible under certain conditions at the holder's option at the rate of one share per each of the following principal amounts:
    - April 1, 1972 — March 31, 1973 — $10.00
    - April 1, 1973 — March 31, 1974 — 11.00
    - April 1, 1974 — March 31, 1975 — 12.00
    - April 1, 1975 — March 31, 1976 — 13.00
    - April 1, 1976 — March 31, 1977 — 14.00

8. CAPITAL STOCK

a) Authorized and issued capital stock as at November 30, 1971

Preference	Number of shares	Amount
Authorized — 50,000, 6% cumulative shares, redeemable at $20.50, par value $20 each. Issued and outstanding, nil	—	$ —

Common	Number of shares	Amount
Authorized — 1,000,000 shares without par value.		
Issued and outstanding		
Issued at December 1, 1970	577,787	$2,443,790
Less — Acquired by a subsidiary	5,600	44,700
Issued at November 30, 1971	572,187	$2,399,090

b) Reservations of common shares

(i) 138,623 shares are reserved for possible conversion of debentures (see note 7)

(ii) 25,000 shares have been reserved under the terms of a warrant indenture dated April 3, 1970. This indenture entitles the holders of Series "A" warrants issued thereunder to purchase 25,000 common shares at the price of $15.50 per share at any time up to the close of business on April 3, 1973.

9. LEASE COMMITMENTS

The Company and its subsidiaries, as the lessees of leasehold properties, have contractual obligations as at November 30, 1971 for minimum annual rental payments of approximately $225,000 under leases which have varying terms up to 1982.

10. CONTINGENT LIABILITY

The Company has guaranteed certain bank indebtedness of Scholarship Consultants of North America Ltd. (see note 2A). The amount of such indebtedness as at April 13, 1972 amounted to $125,000. The present owner of the shares of this former subsidiary has indemnified the Company for any loss arising out of this guarantee.

11. SUBSEQUENT ACQUISITIONS

A. Investment in Corporate Properties Limited

By two separate transactions, in March and April of 1972, the Company purchased an aggregate of 200,000 common shares, representing a 19.99% interest, of Corporate Properties Limited, a publicly-traded real estate company, for an aggregate purchase price of $720,000. Of this amount, $520,000 was paid on closing and the balance of $200,000 is payable August 11, 1972.

The amount of $520,000 paid on closing was provided by advances from companies in which directors of the Company or their families have material financial interests.

B. Purchase of Business

On March 15, 1972, a subsidiary of the Company acquired all of the operating assets of a printing company in the United States for an aggregate purchase price of $400,000 (U.S.). Of this amount, $100,000 was paid in cash on closing, and $300,000 is payable, commencing April, 1972, together with interest at the rate of 7½% per annum, in sixty equal monthly blended instalments of principal and interest of $6,011. This amount is secured by the machinery, equipment and other chattels acquired.

The payment on closing of $100,000 was borrowed on an interest-bearing demand basis secured by the accounts receivable, inventories, and certain equipment of a subsidiary.

12. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The remuneration of the directors and senior officers aggregated $230,500 during the year.

SUPERPACK CORPORATION LIMITED

TORONTO, *Canada* • MONTREAL, *Canada* • LOS ANGELES, *California*
ST. LOUIS, *Missouri* • ELIZABETH, *New Jersey* • NASSAU, *Bahamas*

SUPERPACK CORPORATION LIMITED

254 BARTLEY DRIVE, TORONTO 16, ONTARIO

WHOLLY OWNED SUBSIDIARIES AND DIVISIONS

SCIENTIFIC PACKAGING CORPORATION	Elizabeth, New Jersey
	Los Angeles, California
	St. Louis, Missouri
COIN-OP SALES CORPORATION	Elizabeth, New Jersey
NORTEX PRODUCTS COMPANY	Toronto, Ontario
SCHOLARSHIP CONSULTANTS OF NORTH AMERICA LTD.	Toronto, Ontario
NORTEX OF CANADA LIMITED	London, England
CANBAR DISTRIBUTORS LIMITED	Montreal, Quebec
SUPERPACK VENDING (NASSAU) LIMITED	Nassau, Bahamas
SUPERPACK VENDING (CURACAO) N.V.	Nassau, Bahamas

DIRECTORS

G. BRINA L. CAHAN I. GOULD S. HELLER
H. W. MARACHE, JR. D. M. PERLMUTTER T. D. RICHMOND

OFFICERS

I. GOULD	Chairman of the Board
T. D. RICHMOND	President
G. BRINA	Vice-President
H. VINNET	Vice-President of Finance and Secretary
N. WHITE	Vice-President - European Operations
G. PAPERNICK	Treasurer and Assistant Secretary

REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA

AUDITORS

PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN AND CO.

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Corp Prepared

SUPERPACK CORPORATION LIMITED

INTERIM REPORT FOR THE SIX MONTHS ENDED MAY 31, 1971

INTERIM RESULTS

(Subject to year-end adjustment and audit)

EARNINGS

	FOR THE SIX MONTHS ENDED MAY 31, 1971	MAY 31, 1970 (restated— note 1)
GROSS OPERATING REVENUES	$5,510,980	$5,206,302
EARNINGS BEFORE PROVISION FOR UNDERNOTED ITEMS	$ 546,576	$ 678,200
DEPRECIATION OF FIXED ASSETS	179,340	179,170
AMORTIZATION OF INTANGIBLE ASSETS AND DEFERRED CHARGES	72,260	75,697
INTEREST (including interest of $100,390 on long-term debt; 1970 — $71,840)	121,821	81,099
PROVISION FOR INCOME TAXES		
— Current	113,896	115,900
— Deferred	9,000	72,100
NET EARNINGS	$ 50,259	$ 154,234
NET EARNINGS PER SHARE	$ 0.09	$ 0.27
AVERAGE NUMBER OF SHARES OUTSTANDING	577,787	574,722

NOTE 1. THE FIGURES FOR THE SIX MONTHS ENDED MAY 31, 1970 HAVE BEEN RESTATED TO GIVE EFFECT TO YEAR-END ADJUSTMENTS.

SOURCE AND APPLICATION OF FUNDS

	FOR THE SIX MONTHS ENDED MAY 31, 1971	MAY 31, 1970 (restated— note 1)
SOURCE OF FUNDS		
OPERATIONS		
NET EARNINGS	$ 50,259	$ 154,234
ADD—DEPRECIATION AND AMORTIZATION	251,600	254,867
—DEFERRED INCOME TAXES	9,000	72,100
	$ 310,859	$ 481,201
INCREASE IN LONG-TERM DEBT	—	1,349,412
PROCEEDS OF SHARE ISSUE	—	130,185
REALIZATION OF INVESTMENTS AND OTHER ASSETS	4,311	3,094
Total Funds Provided	$ 315,170	$1,963,892
APPLICATION OF FUNDS		
ACQUISITION OF SHARES OF SUBSIDIARY COMPANY, LESS WORKING CAPITAL AT DATE OF ACQUISITION	—	$1,343,554
PURCHASE OF FIXED ASSETS	83,602	461,258
REPAYMENT OF LONG-TERM DEBT	32,744	66,541
Total Funds Applied	$ 116,346	$1,871,353
INCREASE IN WORKING CAPITAL (exclusive of long-term debt due within one year)	$ 198,824	$ 92,539

To the Shareholders

Sales for the first six months of the 1971 fiscal year were higher than those during the similar period last year. However, earnings were lower, in part reflecting the change-over in the United Kingdom currency to the decimal system. This resulted in the need to modify all of our machines in that market which caused not only costs for the change-over but a loss of revenue during the period of time when the machines were not in use. All the machines have now been converted and are working full-time.

The volume of contracts being written by Scholarship Consultants of North America Limited has now begun to increase from the low levels experienced during late 1970 and early 1971. We hope to witness increases in this division.

The other divisions of the Company in housewares, vending and packaging are operating at projected levels.

July 14, 1971.

T. D. RICHMOND, President